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ABSTRACT

Findings from the evaluation of the AB 3059 alternative child care programs are presented in this report. (AB 3059 child care programs were mandated by the California legislature in 1976 with the goals of assessing features that might reduce child care costs, ensuring maximum parental choice among facilities, addressing unmet child care needs throughout California, and encouraging community-level coordination of support for child care programs.) Section I, the introduction, provides an overview of the legislation establishing AB 3059 child care programs, summarizes background information about AB 3059 and other child care programs funded by the California State Department of Education, discusses the evaluation study's objectives and limitations, and defines key terms and concepts used throughout the report. Major findings of the study as they relate directly to the legislative goals of AB 3059 are presented in Section II. The central question addressed in this section is "To what extent have AB 3059 programs succeeded in meeting the objectives specified by the California state legislature?" Major findings for each of the four types of program constituting AB 3059 (center-based child care, family day care systems, vendor payment programs, and resource/referral programs) are presented in Section III. Finally, Section IV assesses the cost and resource structures of different methods of child care delivery, the impact of wage rates and caregiver/child ratios on the costs of center-based care, and the interrelationship of cost and quality considerations. (Author/MP)

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COMPARATIVE EVALUATION OF AB 3059 ALTERNATIVE CHILD CARE PROGRAMS

SUMMARY REPORT

March 31, 1979

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SUMMARY

AB 3059 COMPARATIVE EVALUATION

March 31, 1979

The AB 3059 Comparative Evaluation was conducted by Abt Associates under contract with the California State Department of Education (SDE). AB 3059 child care programs were established by legislative mandate in 1976 with the goals of assessing features that might reduce child care costs, ensuring maximum parental choice among facilities, addressing unmet needs throughout the state, and encouraging community-level coordination of support for child care programs. Center-based programs and family day care systems are funded both through AB 3059 and through other SDE funds; these methods of delivering child care were evaluated comparatively. Vendor payment programs and resource/referral programs, which are unique to AB 3059, were studied but no comparisons were made.

Major findings of the study are presented below:

Overall, AB 3059 programs have achieved substantial success in meeting the legislative goals.

Center-Based Care

- AB 3059 center-based programs are delivering comparable child care services at substantially less cost than their non-AB 3059 counterparts.

- Overall, there are no significant differences between AB 3059 and non-AB 3059 center-based programs on selected quality indicators: group size, caregiver/child ratio, measures of teacher behavior, and caregiver education/ training in a child-related area. However, AB 3059 centers scored lower on measures of the quality of the center environment.

Family Day Care Systems

- AB 3059 family day care systems are less costly than non-AB 3059 systems. However, the two groups provide the same level of services to providers. They also provide simliar supplemental services to children and families, but AB 3059 systems provide such services through referrals while non-AB 3059 systems tend to provide them directly.

- AB 3059 and non-AB 3059 family day care systems are more costly to the state than AB 3059 center-based programs and vendor payment programs. However, they are substantially less expensive than non-AB 3059 day care centers on the basis of cost per child hour.

Vendor Payment Programs

- Vendor payment programs, together with AB 3059 center-based programs, have the lowest cash cost of all delivery systems in this study. Vendor payment programs cost an average of $0.90 per child hour and provide access to the private market for both center-based and family day care.

- Vendor payment programs deliver the least resource value, however, in that they have no significant non-SDE income and no significant donated reosurces.

- Parental choice of child care providers is limited to facilities that will accept payment within the vendor program rate scale. Vendor payment rates vary across programs and are typically at or below average costs for private center-based care in California.

Resource/Referral Programs

- Resource/referral programs engage in a wide variety of activities beyond referrals for child care. Overall, they devote more time and offer more supplementary services to providers than parents. They are more active with family day care providers than with center-based providers.

- Programs with larger funding levels, have three times greater requests for referrals, larger listings and larger staff than those with small funding levels. However, smaller programs spend considerably more resources on administrative functions than do larger programs.

These selected findings are not indicative of the complex relationships between costs and other program characteristics and the comparative cost structures of the four types of programs studied. A discussion of these relationships, together with additional significant findings, is included in the report.

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ORGANIZATION OF THE REPORT

This report has four major sections; the first serves as an introduction, while the second through fourth sections present the findings of the study from different but related policy-relevant perspectives.

STUDY BACKGROUND provides an overview of the legislation establishing AB 3059 child care programs, summarizes background information about AB 3059 and other child care programs funded by the California State Department of Education (SDE), discusses the mandate for the present study and its objectives and limitations, and defines key terms and concepts used throughout the report.

OBJECTIVES OF THE AB 3059 LEGISLATION: MAJOR FINDINGS reports findings of the study as they relate directly to the legislative goals defined for AB 3059 programs. The central question in this section is "To what extent have AB 3059 program succeeded in meeting the objectives specified by the California state legislature?"

The following section, FOUR PROGRAM TYPES: MAJOR FINDINGS, presents the results of the study of center-based child care, family day care systems, vendor payment programs, and resource/referral programs. For the first two program types, findings are based on a comparison of AB 3059 and non-AB 3059 programs (that is, other programs funded by SDE). The findings for vendor payment and resource/referral programs are descriptive rather than comparative.

POLICY DISCUSSION: COMPARATIVE FINDINGS, the final section, assesses the cost and resource structures of different methods of child care delivery, the impact of wage rates and caregiver/child ratios on the costs of center-bas care, and the interrelationship of cost and quality considerations. The focus in this section is on issues directly related to child care policy.

A companion volume to this report, Supporting Papers, documents the analysis and results for each of the four program types: center-based care, family day care systems, vendor payment programs, and resource/referral programs. The volume includes supporting tables for all major analyses.

Reports prepared earlier in this AB 3059 Compara Evaluation include:

- Study Design Report (July 1978)
- Telephone Survey Report (Feburary 1978)
- Progress Report on Data Collection and Instru (November 1978)
- Briefing Memorandum on Study Findings (Februa. 1979)

STUDY BACKGROUND

In June 1976, the California Legislature passed Chapter 355, Statutes of 1976 (Assembly Bill 3059), which authorized the funding of alternative child care programs.* These programs were intended as alternatives to existing child care programs funded through the State Department of Education (SDE) which are chiefly center-based programs. AB 3059 programs were mandated by the legislation to meet specific objectives:

- to test cost-reducing features**
- to ensure opportunities for maximum parental choice
- to address unmet needs in urban, suburban and rural areas
- to encourage community-level coordination in support of child care programs.

The legislation also permitted the funding of a variety of direct delivery systems and the development of resource/referral centers. Thus, increased opportunities for parental choice were provided, along with the funding of center-based care, family day care systems, vendor payment programs, and resource/referral centers. Presently, AB 3059 programs are funded at a level of $18 million a year

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*California Legislature - 1975/76 Regular Session, Assembly Bill No. 3059, Amended in Senate June 14, 1976, pg. 2 (hereafter cited as AB 3059 programs).

**To permit flexibility in implementing cost-reducing features, California Title 5 regulations governing care-giver/child ratio, teacher qualifications and supplemental services were waived for AB 3059 programs. However, AB 3059 programs were required to meet Title 22 regulations pertaining to health and safety requirements for licensure.

and include 98 center-based facilities, 31 family day care systems, 18 vendor payment programs, and 31 resource/ referral programs--a mixture of services and service delivery systems unique to AB 3059 and consistent with the legislative objectives (Table 1).

AB 3059 appropriations represent 10 percent of the total $180.8 million expended by SDE for child care in fiscal year 1977/78, and AB 3059 programs serve 17 percent of the total child enrollment. AB 3059 centers make up 10 percent of the total 940 SDE child care sites, of which 76 percent are general, principally school-based child care centers.

AB 3059 family day care systems are a major source of subsidized family day care: these new systems embrace 70 percent of all family day care funded by SDE (Table 2). Overall, however, family day care is a very small proportion of SDE child care; 93 percent of all SDE subsidized enrollment is in center-based care, and only 7 percent in family day care.

Vendor payment programs are unique to the AB 3059 groups; these 17 programs are serving more than 4,000 children (approximately 70 percent in center sites, 30 percent in family day homes). The 31 resource/referral projects are also unique to AB 3059 programs and provide a wide array of indirect support services to parents in need of child care and to child care providers.

Table 1

AB 3059 OVERVIEW--JULY 1978 [a]

	Centers	Homes	Vendor Payment	Resource/ Referral	Total
Total Funding Level (thousands)	$4,181 (23%)	$6,648 (37%)	$5,215 (29%)	$1,925 (11%)	$17,969 (100%)
Number of Programs	64[b] (44%)	31 (22%)	18 (12%)	31 (22%)	144 (100%)
Average Funding per Program	$66,369	$214,460	$289,745	$64,186	-----
Enrollment	4,661 (41%)	2,461 (22%)	4,238 (37%)	----	11,456 (100%)
			Centers: 2,365 (21%)	Homes: 1,873 (16%)	

a. Data are taken from Annual Report on Subsidized Child Care Services 1977-78, Office of Child Development, California State Department of Education, 1978; enrollment figures estimated by Abt Associates.

b. 98 sites.

Table 2

SDE CHILD CARE OVERVIEW[a]

	General Child Care[b]		AB 3059 Child Care		Other Child Care[c]		Total	
FUNDING (in millions)	$149.3	(83%)	$ 18.0	(10%)	$ 13.5	(7%)	$180.8	(100%)
PROGRAMS								
Centers	717	(76%)	98	(10%)	125	(13%)	940	(100%)
Family Day Homes	337	(28%)	835	(70%)	29	(2%)	1,201	(100%)
Family Day Systems	21		31		-		-	
ENROLLMENT								
Total	47,715	(69%)	11,456	(16%)	10,439	(15%)	68,610	(100%)
Percent in Centers	97%		62%		99%		93%	
Percent in Homes	3%		38%		1%		7%	

a. These data are taken from the Annual Report on Subsidized Child Care Services 1977-78, Office of Child Development, California State Department of Education, 1978.

b. General Child Care includes school district centers and state-funded (AB 99, AB 282) community-based programs that are not special-purpose programs.

c. Other Child Care includes special-purpose campus child care, migrant child care, and school-age parenting centers. It also includes county welfare child care.

OBJECTIVES AND LIMITATIONS

The AB 3059 legislation required that an independent evaluation be conducted to compare programs within the alternative child care group (AB 3059 programs) and, further, to compare these programs with their counterparts in SDE general child care (non-AB 3059 programs). The contract for the evaluation was awarded to Abt Associates in March 1977.

The study results were developed from on-site data collected at two groups of centers: a sample of 32 AB 3059 center-based sites and 32 non-AB 3059 centers,* and a matched sample of 16 AB 3059 family day care systems and 12 non-AB 3059 family day care systems. Since vendor payment and resource/referral programs exist only within AB 3059, comparisons among AB 3059 centers were based on data collected from eight of each of these two program types.**

While the study addressed to a large extent the objectives stated in the legislation for AB 3059 programs, the comparative evaluation was designed to focus primarily on the objective of cost reduction and thus to assess differences in services and costs between comparable program types. The primary study question was thus formulated:

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*The non-AB 3059 sample was a random sample drawn from SDE listings of all center-based sites within general child care. The sample included 27 school-district centers and 5 community-based centers, formally designated as AB 99 and AB 282. The sample was drawn on the site rather than the agency level so as to achieve a sample proportionate to the distribution of SDE funds, enrollment, and center sites between school district and community-based centers. The distribution of agencies funded by SDE is approximately 42 percent school district and 58 percent community-based.

**In addition, a telephone survey was conducted with all AB 3059 programs in February 1978 and results are presented in an earlier report.

- Are AB 3059 programs delivering comparable services at a lower cost than their non-AB 3059 counterparts?

Three related questions are:

- What variations are there between AB 3059 programs and non-AB 3059 programs in services delivered and resources used?

- What are the variations in per-child costs and costs to SDE across comparable AB 3059 and non-AB 3059 programs?

- What major factors contribute to differences in costs between the two groups?

These questions pertain only to center-based care and family day care programs directly funded by SDE. For vendor payment programs and resource/referral programs, the study addressed the broad questions listed below. Research questions specific to each type of child care program were also formulated.

- What are the differences in range of practices and in services provided among vendor payment programs and among resource/referral programs?

- What are the variations in costs and resources used within each group?

- To what extent have programs within each group encouraged maximum parental choice?

While the comparative evaluation embraced four different types of programs, and included both comparisons within AB 3059 centers and comparisons of centers and family day care with non-AB 3059 counterparts, not all aspects of the study were weighted equally.

For several reasons, the center-based portion of this evaluation is the most complete and conclusive. First, because more than 90 percent of the children presently subsidized by SDE are in center-based care, it was deemed a major objective of this study to assess differences between AB 3059 centers and other SDE center-based care.

Second, the center-based study builds upon considerable prior experience in evaluating child care centers, including proven techniques of measurement and analysis and cost methodology. No comparable state of the art exists for family day care and no prior research could be drawn upon in the study of vendor payment and resource/referral programs.

Consequently, samples large enough to support extensive statistical analysis were selected for center-based care. The smaller sample sizes for family day care, vendor payment programs, and resource/referral programs reflect the small number of existing programs for these groups and, except for family day care, do not allow equally detailed analysis.

A limited assessment of the quality of child care (though not a provision of this study) was feasible because appropriate quality-indicator measures were available from the National Day Care Study* for center-based care. These

*The National Day Care Study (NDCS) was conducted by Abt Associates under contract with the U.S. DHEW, Administration on Children, Youth and Families. This four-year study investigated quality and cost in center-based day care for preschool children, and to a lesser extent, for infants and toddlers. Findings from this study are included in the report, where appropriate, to provide a context for interpreting center-based findings from this evaluation. The NDCS also serves as a source for comparative national statistics.

measures were adapted for use in this study. However, no such measures currently exist for family day care, nor do cost effectiveness models exist for resource/referral programs or vendor payment programs. Thus the study only examined relationships among funding levels, cost per child hour, and services in these three latter groups.

While the analysis of non-center-based programs is limited by the state of the art and by the sample sizes, a considerable body of descriptive information was obtained and these findings are reported here and in the supporting reports. In addition, the comparative evaluation of family day care, although exploratory, provides substantial insight into causal relationships between costs and policy-relevant characteristics, and statistical inferences are presented.

KEY TERMS

A number of terms and concepts are important for an understanding of the findings reported here. Definitions of the most frequently used cost and policy variables appear below.

Classification of Day Care Services

A Day Care Center is defined as a licensed facility in which care is provided to more than 10 children under the age of 13, generally for up to 12 hours, five or more days each week.

A Family Day Care System consists of a group of individual Family Day Care Homes, organized under a sponsor agency, which provides care for small numbers of children (generally

six or fewer) for up to 12 hours per day, five days per week, and may receive a range of support services (food, recordkeeping, training) from the sponsor agency.

A Vendor Payment Program does not provide child care directly; rather it is principally an administrative mechanism that provides payment for subsidized child care for eligible families. Care is provided through existing centers, family day care homes, or in-home care; payment is made either directly to the provider (vendor) or through the parent using a voucher system. In this report, the term vendor payment program refers to both vendor and voucher payment systems.

A Resource/Referral Program serves the general public and provides a variety of services in support of child care, including information and referral for child care users, identification of unmet child care needs, centralization of services (such as purchasing), dissemination of information about child care issues and resources to the community, and provision of technical assistance to providers and organizations on request.

Costs

Cost information was collected from all programs in the study sample for the fiscal year 1977/78. The evaluation measured costs in several ways, each important to comparative cost considerations. The following cost terms are used throughout this report to present and discuss cost findings.

The SDE Cash Cost is the proportion of a program's operating costs currently required from SDE. A center with no other source of income will have a total cash cost equivalent to the SDE cost.

The Total Cash Cost is the total cash expenditures required to operate a program. Cash costs reflect cash income received from SDE and from all other sources.

The Total Resource Cost is the cash cost plus the estimated value of donated goods and services levered by the program. This term is interchangeable with Total Resource Value.*

While cash and total resource costs are useful in comparing overall cost differences between programs, it is also useful to examine how these costs are allocated to core services with components common to all child care and supplemental services.** Cash and total resource costs (including personnel and non-personnel costs) are thus separated into two categories:

Core Costs (Core Resource Costs) are cash costs (and resource costs) incurred for administration, child care, food services, and space--four functions common to all centers.

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*Donated or levered resources include volunteers, CETA workers and other staff paid by a third party, sponsor agency personnel, typically administrative staff and specialists who devote time to the program that is not charged to that program account, space occupied free of charge or at reduced costs, and all contributed materials and equipment.

**The largest expense for transportation across centers was for staff travel, included as a core administrative cost. By and large, transportation for children (a supplemental cost) was not provided by centers in the sample.

Supplemental Costs (Supplemental Resource Costs) are cash costs (and resource costs) incurred for screening and health services, social services, parent involvement, and staff training.

Finally, a set of cost terms is used to indicate proportions of cash and total resources allocated by a program for administration and for the direct care of children.

Administrative Costs include all personnel and non-personnel costs required for administrative tasks and, in the case of centers, 25 percent of space costs. In family day care systems, all space costs were allocated to administration.

Direct Care Costs include costs associated with direct provision of care--caregiver time, food costs, classroom materials, and, in the case of centers, 75 percent of center space costs.

Program Characteristics

The following terms are employed in discussing the policy-relevant characteristics of day care centers:

Group Size is the observed total number of children in a classroom under the supervision of one or more caregivers.* In most cases, groups occupied individual classrooms or well-defined physical spaces within larger rooms. In a few

*Caregiver/child ratio and group size were measured through observation in all center classes at two or three designated timepoints. Results based on these observed measures are used throughout with the exception of the results from the regression analyses of costs. In these, measures of caregiver/child ratio are based on scheduled attendance.

"open classroom" centers, children were free to move from group to group. In such cases, clusters of children participating in common activities under the supervision of the same caregiver or team of caregivers were considered to be "groups."

The Caregiver/Child Ratio is defined as the observed number of caregivers divided by the observed group size. Higher, or more stringent, caregiver/child ratios are those with a small number of children per adult. For instance, a ratio of 1:5 is higher, or more stringent, than a ratio of 1:10 (which is lower, or less stringent).

OBJECTIVES OF THE AB 3059 LEGISLATION: MAJOR FINDINGS

Although the comparative evaluation was not specifically structured around the legislative objectives for AB 3059 programs, it did to a great extent incorporate and address these objectives. Summarized below are results from this study which bear on the degree to which AB 3059 programs have met their legislative mandate.

AB 3059 programs were funded to meet the following objectives:

- test cost-reducing features*
- ensure that a broad range of services is available to maximize the opportunity for parental choice
- address unmet needs in all geographic areas of the state
- encourage community-level coordination in support of child care.

In addition, child care services were to be delivered through a variety of delivery systems and combinations of program types.

The AB 3059 legislation can be summarized as a two-fold commitment. First, the legislative intent is that alternative child care programs incorporate cost-reducing

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*It is not the intent of the AB 3059 legislation to reduce the total value of resources delivered to children. Rather the intent is to reduce the state's cash investment, partially through the levering of other income and donated resources. Thus cost to SDE, total cash costs, and total resource costs become important measures of the relative success of AB 3059 programs. These cost and resource structures are discussed in the context of all direct child care programs studied in a later section of this report (see Policy Discussion: Comparative Findings).

features and, by implication, provide services at less cost than their existing counterparts.

Second, the AB 3059 legislation represents a commitment, on a trial basis, to the diversification of child care services and to the development of delivery systems as alternatives to primarily center-based and primarily school-based child care within SDE general care.

It is the conclusion of this study that, overall, AB 3059 programs have achieved substantial success in meeting these legislative goals. Findings relating to the four main objectives are discussed separately below.

TEST POTENTIAL COST-REDUCING FEATURES

Center-Based Care

AB 3059 centers, as a group, provide child care services at substantially lower cost than their non-AB 3059 counterparts. This cost reduction is accomplished in three ways:

- Teacher and aide salaries are considerably lower than in non-AB 3059 centers. This difference in salaries between the two groups accounts for at least 38 percent of the difference in total resource costs between AB 3059 centers and non-AB 3059 centers.

- AB 3059 centers have somewhat lower caregiver/child ratios than non-AB 3059 centers and this difference accounts for at least 35 percent of the difference in total resource costs between the two groups.*

*Excluding six centers serving infants only in the AB 3059 group. There are no non-AB 3059 infant centers in the sample.

- Higher levels of donated resources are levered in AB 3059 centers than in non-AB 3059 centers. This accounts for 20 percent of the difference in cash costs between the two groups.

AB 3059 centers have not made extensive use of local funds such as direct taxes and other agency funding as a means to reduce costs; only 7 percent of income is from local sources. AB 3059 centers have not experimented with differentiated staffing. While there are some differences in staff mix between the two groups, about the same mix of aides and teachers is assigned to the child care function in both groups.

Family Day Care

AB 3059 family day care systems, as a group, provide child care services at a somewhat lower average cost than non-AB 3059 family day care systems. However, the differences between the two samples are not large, and thus AB 3059 systems should not be viewed as a potentially less expensive form of family day care than non-AB 3059 systems.*

For family day care systems, lower cost is associated with the following factors:

- Lower costs in AB 3059 systems are associated with more homes per system staff member than in the non-AB 3059 group, and with lower food costs and lower costs for provider services.

*While there are statistically significant differences in costs between the two system groups, these differences are attributable to four non-AB 3059 systems with considerably higher costs. Excluding these systems, there are no significant differences between the two groups.

- Lower costs across all systems are found in those systems which are larger, have more children per home, and invest less in food and services for providers. However, they pay slightly higher rates to providers.

- Payments are made to providers on a contracted basis, thus eliminating costs for fringe benefits, FICA and workmen's compensation.

Family day care systems in the AB 3059 group did not achieve lower costs through use of local resources or through access to significant levels of donations.

Vendor Payment Programs

Vendor payment programs, together with AB 3059 center-based programs, are the least costly to the state. As a potential cost-reducing delivery system, vendor payment programs can expand options for parental choice through purchase of care in the private market.* For vendor payment programs, lower costs are achieved in the following ways:

- Programs contract with facilities, both centers and family day care homes, at rates below the average $0.79 per child hour cost of care for private centers in California.**

*However, parental options are not unlimited within vendor payment programs. Not all forms of child care (family day care, center-based care, in-home care) are universally available through vendor payments and parental choice must be made within maximum provider rates set by the individual vendor payment programs.

**From the National Day Care Supply Study, Day Care Centers in the U.S., Table 139.

- When combined with resource/referral programs or other day care programs, vendor payment programs draw on services and resources from those programs to maintain low staff and administrative costs.*

Beyond the shared staff and services noted above, vendor payment programs have not achieved lower costs through the use of local funding or significant donations.

ENSURE A BROAD RANGE OF SERVICES TO MAXIMIZE PARENTAL CHOICE

Opportunities for maximizing parental choice were created by funding different methods of child care delivery: center-based care, family day care systems, vendor payment programs, and resource/referral programs. The study found, further, that:

- AB 3059 center-based care represents an expansion of subsidized care provided through community-based agencies which are predominantly (80 percent) private and non-profit.

- AB 3059 family day care represents 70 percent of the total subsidized family day care provided through SDE. Its importance indicates a considerable expansion of this type of care within SDE and widens options available to parents receiving subsidized care.

- Subsidized vendor payment programs represent SDE's first initiative in providing subsidized care through the private child care market in both center-based and family day care settings and, to a lesser degree, in the child's own home.

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*In these combined programs, it was not possible fully to separate out the contribution of the resource/referral component from the vendor payment components. To the extent that such transfers within programs are substantial, the true costs of vendor payment programs are understated.

- Vendor payment programs provide opportunities for parental choice by typically providing parents with the option to select any licensed facility in the program's service area, provided it can accept the payment level and can meet the recordkeeping requirements.

- Resource/referral programs are the first private agencies funded through SDE to provide assistance to all parents in locating child care services. To meet this objective, resource/referral programs report that they have developed referral listings of all licensed centers and family day care homes in their service areas, including those not otherwise reached by state subsidy.

ADDRESS UNMET NEEDS IN URBAN, SUBURBAN, AND RURAL AREAS

- AB 3059 programs were funded so as to represent a mix of rural and non-rural areas of the state. Overall, 19 percent of the center-based programs and 13 percent of the family day homes are located in rural areas, while the remainder are at either urban or suburban sites.

- While no assessment of needs was undertaken as part of this study, all child care programs--both AB 3059 and non-AB 3059--reported waiting lists. For the large majority, waiting lists were equal to or greater than half their enrollment.

- Overall, programs were operating at or near full utilization, given funds available. Vendor payment programs, for example, reported no unused funds or available slots for at least two months in the future, and half the children waiting could not be accommodated within a year.

- While a number of programs reported that source capacity (space) would allow them to serve more children, few actually had funds to support additional subsidized children.

- Unavailability of infant care was cited as the single most urgent unmet need across all types of programs and in all locations.

ENCOURAGE COMMUNITY-LEVEL COORDINATION OF SUPPORT

It was not an objective of the comparative evaluation to assess systematically the level of community coordination in support of child care services. However, it was found that:

- For any individual center, family day care system, or vendor payment program, such community level coordination is typically a function of local conditions, the commitment of the program director, the type of sponsor agency, and the availability of funds.

- Moreover, for resource/referral programs, community coordination is typically viewed as a central program function manifested in information gathering and dissemination, the publication of newsletters, and advocacy endeavors.

FOUR PROGRAM TYPES: MAJOR FINDINGS

Major findings are presented here for the AB 3059 child care programs included in the evaluation. Findings for center-based and family day care programs are based on a comparison of AB 3059 programs with their non-AB 3059 counterparts (center-based and family day care programs supported by SDE funds for general child care). Descriptive findings are included on cost and service characteristics of AB 3059 vendor payment and resource/referral programs.

Each of the reports on center-based care, family day care, and vendor payment programs discusses four main topics: summary findings, general characteristics, and program and cost characteristics. For center-based care only, indicators of program quality are also dicussed. The section on resource/referral programs covers program and cost characteristics and indicators of effectiveness.

CENTER-BASED CARE

Summary Findings

- AB 3059 center-based programs are delivering comparable child care services at substantially less cost than their non-AB 3059 counterparts.
- Overall, there are no significant differences between the two groups of centers on selected quality indicators: group size, caregiver/child ratio, measures of teacher behavior,and caregiver education/training in a child-related area. However, AB 3059 centers scored lower on measures of the quality of the center environment, although both groups of centers rated quite high on this dimension.

General Characteristics

- Eighty percent of AB 3059 centers are private, non-profit organizations, while 87 percent of the non-AB 3059 centers are public, school-based centers.

- Both groups of centers serve predominantly low and mixed-income areas and serve the same proportion of minority and non-minority populations. AB 3059 centers serve more infants than do non-AB 3059 centers and also serve more full-cost children.

- Non-AB 3059 centers are considerably larger than AB 3059 centers. No overall economies or diseconomies of scale are apparent, however, and no cost savings are associated with larger centers within each group.

Program and Quality Findings

Among the characteristics of centers that can be regulated are caregiver/child ratio, group size, qualifications of caregivers, and supplemental services. These four characteristics have long been believed to be critical determinants of quality from a developmental perspective. The first three are generally included in state licensing provisions; all four have been central in federal funding requirements since 1968. Group size and teacher qualifications (specifically, education/training relevant to young children) have been found in the National Day Care Study (NDCS) to be related to measures of quality, but to affect costs only slightly. For preschool children (ages three, four, and five) differences in caregiver/child ratio within the range of 1:5 to 1:10 were found to be related only weakly to quality; ratio was, however, a significant determinant of costs. At the present time, supplemental services

are regulated in California and are widely viewed within the state as an important element of quality care. Relevant findings from the NDCS on the four key characterisitics are presented below.

Group Size. The number of children regularly grouped together with one or more caregivers (usually in a definable space) is the most powerful and pervasive factor related to NDCS measures of quality. For preschool children (especially from low-income families) the NDCS recommends maximum group sizes in the range of 14 to 18 measured on an attendance basis.

Caregiver/Child Ratio. Different ratios within the policy-relevant range of 1:5 to 1:10 show only a slight relationship to NDCS measures of quality, although results were not strong or consistent. Caregiver/child ratios, also measured on an attendance basis, in the range of 1:7 to 1:9 are recommended.

Caregiver Qualifications. Lead caregivers who have education/training in child-related fields tend to manage classrooms with higher-quality care. (Years of educational attainment and experience are not related to caregiver behavior, child behavior, or test scores.)

Supplemental Services. While not a central study focus in the NDCS, supplemental services were found only in publicly subsidized centers and were associated with higher costs.

In addition to data collected on the characteristics discussed above, a modified version of the Child Development Associates (CDA) checklist was used in this comparative evaluation of centers to assess teacher behavior,

classroom activities, and center space and equipment. The CDA checklist was developed by Stanford Research Institute for and used in the National Day Care Study. In that study CDA scores were positively correlated with desireable behavior on the part of caregivers and children and with gains on two tests predictive of children's later school achievement. Another variant of this checklist is currently being used in monitoring Head Start Performance Standards and is also included in the new Head Start Basic Education Skills initiative.

Findings related both to the characteristics on which the NDCS provides insight and to the results of the CDA observations follow:

- Group Size. Group sizes are similar in AB 3059 and non-AB 3059 centers, although there are differences in group size according to the ages of children served. The largest group sizes occur in preschool centers and in centers serving preschool and school-age children. The average group size was about 22 in both center samples for this age group, while non-AB 3059 programs serving only preschoolers have a slightly higher average group size of 26.

- Caregiver/Child Ratio. Overall, there are no significant differences between AB 3059 centers and non-AB 3059 centers with respect to average caregiver/child ratio. However, when the ages of children served are considered, small differences in ratios appear between AB 3059 centers serving preschool and school-age children and their non-AB 3059 counterparts. With an average caregiver ratio of 1:7, AB 3059 centers tend to have one more child present per staff member.

- Caregiver Qualifications. There are no significant differences in level of caregiver education between AB 3059 and non-AB 3059 centers. Both groups have the same proportion of classroom staff with degrees in child-related fields. However, fewer AB 3059 caregivers hold teacher credentials and children's center permits than do non-AB 3059 caregivers, and AB 3059 classroom staff have somewhat less experience.

- Supplemental Services. AB 3059 and non-AB 3059 centers provide the same level of referral services for screening, medical and social services. However, non-AB 3059 centers provide more direct services in all service categories. There are no differences in the supplying of food and transportation, the level of parental involvement and parent activities, or the kind and level of staff training between the two groups.

- Measures of Teacher Behavior. There are no significant differences between AB 3059 and non-AB 3059 centers on measures of teacher behavior in the following classroom areas: cognitive/language activities, self-concept and self-help activities, prosocial behaviors, creative/expressive activities, teaching style and classroom organization. However, there is a tendency for these activities to occur more frequently in non-AB 3059 centers.

- Center Measures of Safety and Cleanliness. There is no important overall difference between AB 3059 and non-AB 3059 centers on measures of safety and cleanliness: both scored relatively high. However, safety precautions were observed slightly more often in non-AB 3059 centers than in AB 3059 centers. AB 3059 centers also scored slightly lower on measures associated with center cleanliness.

- Toys and Materials. There is a significant difference between AB 3059 and non-AB 3059 centers with respect to toys and materials available. AB 3059 centers have fewer gross motor toys and fewer creative/expressive materials than do non-AB 3059 centers.

Cost Findings

- AB 3059 centers are less costly than non-AB 3059 centers on all major cost dimensions: cash costs per child hour, total resource costs per child hour, and costs to SDE per child hour. AB 3059 centers cost an average of $1.14 per child hour, while non-AB 3059 centers cost 48 percent more or $1.69 on the average. In terms of the actual cost to SDE, the AB 3059 centers cost, on average, $0.16 per child hour less than non-AB 3059 centers.

- AB 3059 centers are levering two times more in donated resources than non-AB 3059 centers. Donated resources account for one-quarter of the total resource value per child hour in AB 3059 centers and less than 10 percent in the non-AB 3059 centers. These resources are used chiefly for child care and for space.

- Less than 10 percent of cash and donated resources is expended for supplemental services in both center groups. There is no difference between the two groups in cash costs or total value for supplemental services.

Explaining Cost Differences

- Differences in caregiver salaries and in caregiver/child ratio account directly for almost 75 percent of the difference in average total resource costs between

the two center groups. The remaining 25 percent is attributable to the indirect effects of wages and ratio.* That is, caregiver wages account for $0.18 of the observed $0.49 difference. Caregiver/child ratio accounts for $0.17, and indirect effects account for the remaining $0.13.**

- Salaries of AB 3059 center staff members are considerably lower than non-AB 3059 staff members for all staff categories. The average hourly wage rate for teachers in AB 3059 centers is $4.06, compared with $6.10 for teachers in non-AB 3059 centers. The national average hourly rate for teachers is $3.73.***

- The mean hourly wage rate for aides in AB 3059 centers is $0.81 less than for aides in non-AB 3059 centers. Aides in AB 3059 centers earn an average of $3.03, while their non-AB 3059 counterparts earn an average of $3.84. The national average hourly rate for aides is $2.87.

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*Caregiver salaries and caregiver/child ratio account for only part of the total difference in costs. They also produce a statistical indirect effect which is attributable to their correlation with other center costs: non-caregiver wages, administrative costs, and occupancy costs. However, there is not necessarily a causal relationship between these costs and salaries and ratio.

**The impact of variations in caregiver/child ratios and wage rates on resource costs per child hour is discussed in a later section of this report (see Policy Discussion: Comparative Findings).

***Average hourly wage rates for teachers and aides are from the National Day Care Supply Study, Children at the Center, Abt Associates, Cambridge, Mass., December 1978, Tables 134 and 135. Figures were adjusted upwards by a factor of 11 percent to account for inflation.

- Differences in salaries, however, are not attributable to differences in education or experience or to differences in credentials or degrees with specialization in a child-related field. The major difference in wages is accounted for by the type of center. AB 3059 teachers with the same level of education and experience and the same credentials earn $1.69 per hour less than their non-AB 3059 counterparts.

- A larger difference in costs exists between AB 3059 and non-AB 3059 centers in urban locations than in non-urban locations. Non-AB 3059 urban centers cost $1.95 per child hour compared to a cost of $1.11 for AB 3059 urban centers. Non-AB 3059 non-urban centers cost only $1.36 per child hour, closer to the $1.19 cost for AB 3059 non-urban centers.

- The differences in caregiver wages, caregiver/child ratio, and occupancy costs between the two center groups are more pronounced in urban areas. Corresponding differences between non-urban centers in the two groups are small and not significant.

FAMILY DAY CARE

Summary Findings*

- AB 3059 family day care systems are less costly than non-AB 3059 systems. However the two groups provide the same level of services to providers. They also provide similar supplemental services to children and families, but AB 3059 systems provide such services through referrals while non-AB 3059 systems tend to provide them directly.

*Because of the limited number of family day care systems in California and in the study sample, findings reported on differences between system types are not conclusive.

- Family day care systems, both AB 3059 and non-AB 3059 funded, are more costly to the state than AB 3059 center-based programs and vendor payment programs. However, they are substantially less expensive than non-AB 3059 day care centers on the basis of cost per child hour.

General Characteristics

- Almost half the family day care systems in the sample are sponsored by community-based, non-profit agencies (48 percent). However, 20 percent in the sample were sponsored by school districts or county departments of education, and 16 percent by public social service agencies. Two systems are campus programs and one is affiliated with a religious organization.

- Both groups of systems serve largely a minority population. Almost half the AB 3059 families are of minority ethnicity, and about two-thirds of the non-AB 3059 system enrollment is minority. In both systems the distribution for ethnicity of providers parallels that of children.

- AB 3059 providers tended to be less experienced than non-AB 3059 providers--a fact that may well reflect the comparative youth of the AB 3059 systems. However, there are few differences between systems in the educational backgrounds of providers.

- The ages of children served do not differ for the two systems. About half of the children are of preschool age (between two and five), one-third are school-age, and the remainder are infants. The children are in care for an average of 36 hours per week.

- Staff members in family day care systems are largely part-time (working an average 18 hours per week) and half share their work time with another program in the agency. Both systems employ, on the average, slightly under four full-time equivalent staff members, although AB 3059 systems are somewhat larger in terms of enrollment and the number of homes. Twenty percent of all staff members are CETA workers.

Program Findings

- Although state regulations permit up to six children per home (excluding infants), family day care systems do not tend to place the maximum number of children per home. The average number of subsidized children per home is 3.6 in non-rural areas and 4.6 in rural areas, although providers may be caring for additional children on a private basis. Systems that have exclusive use of provider homes, however, have significantly more children per home (5.1) than do non-exclusive-use systems (3.6).

- AB 3059 systems are larger than non-AB 3059 systems. The average enrollment of AB 3059 systems is 80 children, while that of non-AB 3059 systems is 50 children. The enrollment, however, varies widely in both systems, ranging from 36 to 191 in AB 3059 systems and from 5 to 146 in non-AB 3059 systems.

- Rural programs are larger than non-rural programs. The seven rural programs--three AB 3059 and four non-AB 3059--have an average enrollment of 105 children and include four of the five largest programs in the sample.

- AB 3059 systems are providing about the same level of services for providers as are the non-AB 3059 systems. Lesson planning, financial assistance, and field trips are provided with greater frequency in AB 3059 systems, while toy-book lending libraries and recordkeeping services are provided slightly more frequently in non-AB 3059 systems.

- Exclusive-use systems are smaller than non-exclusive-use systems but tend to place more children in each home. These systems are more involved with homes and client families than are non-exclusive-use systems. They visit homes more frequently, give more training to providers, involve more parents, and provide more services to children and families.

- AB 3059 and non-AB 3059 systems do not differ significantly in the number of home visits or the amount of training given to providers. Staff members visit homes an average of 35 times per year and provide 13 training sessions.

- AB 3059 and non-AB 3059 systems provide a nearly identical number of services. However, the non-AB 3059 systems are more likely to provide services directly, while the non-AB 3059 programs typically arrange referrals for service.

- Non-AB 3059 systems provide substantially more opportunities for parent involvement than do AB 3059 systems. Twice as many non-AB 3059 systems arrange parent meetings and involve parents in the decision-making process.

Cost Findings

- AB 3059 family day care systems operate at an average cost per child hour which is 14 percent lower than the cost of non-AB 3059 systems. AB 3059 systems cost $1.10 per child on average, compared with $1.28 for the other group. When viewed in terms of the median cost level, however, half the systems in both sample groups have costs of less than $1.15 per child hour, while half cost more than that.

- In terms of SDE cash costs, the difference between AB 3059 and non-AB 3059 systems is negligible. The cost to SDE for AB 3059 family day care is $1.04 per child hour, contrasted with $1.06 per child hour for non-AB 3059 systems. Both groups of systems are more costly to the state than AB 3059 center-based care, which costs SDE an average of $0.85 per child hour.

- Neither sample of family day care systems receives substantial income from non-SDE sources. AB 3059 systems receive 93 percent of their income from SDE, while SDE income represents 83 percent of the income for the other group. This difference in income source is accounted for by greater non-AB 3059 participation in the subsidized food program and the fact that the school-based non-AB 3059 systems are eligible to receive tax override monies.

- Expenditure patterns are similar for both AB 3059 and non-AB 3059 family day care systems. Slightly more than 60 percent of all expenditures goes to provider payments and, thus, to direct child care services. The remaining 40 percent of expenditures is for salaries of staff to administer the system, food costs, supplies, and rent for office space.

- AB 3059 family day care systems receive an average of only $0.10 per child hour in donated resources, compared with $0.41 per average child hour in non-AB 3059 systems.

- However, half the non-AB 3059 systems lever between $0.62 and $1.94 per child hour in donated resources, while the other half lever almost no resources and are thus comparable to AB 3059 systems. Donations are largely in the form of labor provided by third-party-paid CETA workers and by administrative staff in the sponsor agency.

- While family day care systems spend a slightly higher proportion of cash resources on supplemental services than do center-based programs, this still represents only 12 to 14 percent of total cash expenditures for both family day care groups.

- Family day care providers are paid an average of $0.78 per child hour for preschool children in AB 3059 systems and $0.74 per hour in non-AB 3059 systems. The maximum paid by both groups is $1.00 per hour and the minimum is $0.60 to $0.65 per child hour for preschoolers.

- Family day care providers are usually paid on a contracted service basis and thus are not eligible for and do not receive fringe benefits (vacation, sick leave, health insurance). Systems do not contribute FICA nor do they pay workmen's compensation.

- The typical provider receives $116 weekly from the family day care system (and may receive additional income from private clients). Assuming a 50-hour week, the provider earns about $2.32 per hour or less than

last year's minimum wage rate. Slightly more than one-fifth the providers in both groups rely on this child care as their primary source of income.*

Explaining Cost Differences

- Relationships between system size (total enrollment, number of full-time equivalent staff, system staff/home ratio) and costs of care produce economies of scale in the family day care sample. Larger systems cost less than smaller systems.

- Salaries paid to system administrative staff represent only about 25 percent of total expenditures and are not significant determinants of cost. Provider rates, which represent an average of 60 percent of all expenditures, are associated with costs.

- Systems with lower overall costs are paying higher rates to providers by maintaining lower administrative costs (more homes per system staff member), lower food costs, and lower levels of service to both providers and children.

- Higher costs are thus associated with systems which pay providers less, but which have fewer homes per staff member and which deliver substantial services to providers and supplemental services to children. It appears that these systems may be delivering the same or more value to providers, but in the form of goods and services rather than provider earnings.

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*This study did not collect sufficiently detailed information to estimate the average hours worked per week by providers. However, estimates from the National Day Care Home Study conducted by Abt Associates (under contract with U.S. DHEW, Administration for Children, Youth and Families) indicate that caregivers in sponsored homes work an average 50-hour week.

VENDOR PAYMENT PROGRAMS

Summary Findings

- Vendor payment programs, together with AB 3059 center-based programs, have the lowest cash cost across all delivery systems in this study. Vendor payment programs cost an average of $0.90 per child hour and provide access to the private market for both center-based and family day care.

- Vendor payment programs deliver the least resource value, however, in that they have no significant non-SDE income and no significant donated resources.

- Parental choice of child care providers is limited to facilities that will accept payment within the vendor program rate scale. Vendor payment rates vary across programs and are typically at or below average costs for private center-based care in California.

General Characteristics

- As of February 1978, 17 alternative payment programs were serving 3,508 children, 40 percent of all children cared for under AB 3059 child care. Seventy percent of children in care are of preschool age, 16 percent are school-age, and 12 percent are under two years of age.

- Half of all vendor payment programs operate in conjunction with resource/referral programs; the programs are closely related, typically sharing staff and space and exchanging services. Half the programs sampled were selected to include this combination.

- Sixty-five percent of the children in vendor payment programs are in center-based care; 28 percent receive care in family day care homes; and the remaining 6 percent receive care in their own homes.

- Vendor payment programs are serving predominantly income-eligible families (41 percent are fully subsidized and 30 percent are partially subsidized). Less than one-third of the families are AFDC or SSI/SSP recipients.

- All sampled programs have waiting lists. In more than half, 45 percent of those waiting cannot be accomodated within one year.

Program Findings

- All vendor payment programs in the sample permit parents to select any licensed care facility in the program's service area, provided costs are within maximum rates set by the program. However, not all vendor programs permit this latitude in parent choice: almost one-fifth of the vendor payment programs place children exclusively in center-based care, and 80 percent do not enroll children for care in their own homes.

- Vendor payment programs typically do not serve substantial numbers of school-age children and infants. Half of the infants served are enrolled in only two programs. This lack of infant care is due chiefly to the lack of available facilities for infants. The number of school-age children is low in part because of difficulties faced by providers in maintaining part-time slots at the current part-day reimbursement rates.

- No vendor payment program in the sample monitors or intends to monitor the facilities with which they contract for quality purposes. Rather, all require that all facilities (except in-home care) be licensed prior to participation in the program. In the case of in-home care, providers are subject to interviews and reference checks.

- Provider fees are set in different ways: as an individually negotiated rate within a program's set range; as a flat rate set by the vendor program regardless of differences among providers; as a sliding rate based on the caregiver/child ratio maintained by vendors. Rates paid for infant care are typically lower for family day care providers than for center-based providers, although preschool rates are similar for both types of provider.

- Vendor payment programs have variable maximum rates of payment to providers. In sample programs this maximum ranged from $1.00 to $1.28 per child hour, and in some cases the maximum rate is flexible. The average rate paid to centers is $0.77 for a preschool child and $1.03 for infants. Generally vendor payment programs tend to pay rates at the low end of their scale; lowest rates range from $.50 to $0.90 per hour for preschoolers.

- Vendor payment programs are paying average rates at or below the average cost per child hour for private centers in California ($0.79).* They may thus be trading lower costs for lower ratios, lower wages and/or fewer services.

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*From the National Day Care Supply Study, Day Care Centers in the U.S., Table 139.

- Half the programs in the sample permit parents to enroll children in facilities which cost more than the program's maximum vendor payment; parents pay the difference. Half the programs do not permit this practice and thus parents must select a facility within the set payment range.

Cost Findings

- Vendor payment programs cost an average of $0.90 per child hour; they range from a low of $0.64 to a high of $1.13 per child hour. They receive no substantial donations or income from non-SDE sources. Thus the cost to the state remains at $0.90 and the total resource cost per child hour is slightly higher at $0.94 on the average.

- Among vendor payment programs in the sample, higher cash costs are associated with higher rates paid to providers and with higher rates of reimbursement by SDE. However, administrative costs do not increase as a function of reimbursement rates or cost per child hour.

- Vendor payment programs operate at the lowest apparent administrative cost of all programs: 80 percent of all expenditures are for direct child care payments and 20 percent of costs are required for program staff, salaries, space, and supplies. Among the sampled programs direct child care payments account for from 68 percent to almost 90 percent of total costs.

- When administrative costs are adjusted to include the administrative costs incurred by the center providers, vendor payment programs have an administrative rate of 35 percent and thus deliver the smallest proportion of direct care per dollar expended.

- Small, independent vendor payment programs have higher overhead costs, pay lower rates to providers and also have higher costs per child hour than programs with large funding levels and those combined with resource/referral programs. They provide significantly fewer services to parents and providers.

- Vendor payment programs with higher funding levels and those combined with resource/referral programs provide a significantly larger array of services to parents. These agencies also provide more supplementary services and more opportunities for contact with parents and providers. They hold meetings or workshops for providers and have resource centers, toy lending libraries, job banks, or newsletters.

RESOURCE/REFFERAL PROGRAMS

Thirty-one resource/referral programs are currently funded under AB 3059 and are mandated to provide a wide range of services in support of parents seeking child care, facilities and individuals who provide child care, and the child care community at large. Beyond providing support services, resource/referral programs have the potential for serving as a focal point in the coordination and use of child care at the community level and in gathering information critical to an understanding of child care needs and patterns of use by consumers.

California is the leader among the states in committing substantial state funds to develop and to continue to support a network of resource/referral programs. AB 3059 resource/referral programs are unique not only in California, but nationwide. Although a wide range of agencies across the country provide some information

and referral services, only 2 percent of them have as their major objective providing resource/referral services; half of these are California.

Resource/referral programs are the focus of much interest and discussion nationally. At the same time, little is known about resource/referral programs from the perspective of costs, effectiveness, and the appropriate range of activities and standards for these programs. However, a significant multi-year evaluation of information and referral services is currently underway under the aegis of the U.S. DHEW, Administration on Children, Youth and Families. This study is investigating the important issues of the cost effectiveness of these programs and the impact of information and referral services on the local child care market and the quality of care available.

As indicated earlier, such considerations are well beyond the scope of this study: there is no proven methodology for evaluating resource/referral progams and the policy issues with respect to these programs are yet to be clearly articulated. Further, any study designed to assess the effectiveness of resource/referral programs must consider those programs in the context of the characteristics of the community at large.

This study was focused on the internal operations of the eight sampled programs. The objective was to provide descriptive information on the range of practices, how staff and resources are allocated across functional activities, and some indication of major differences among programs. In addition, samples of parents and of center and family day care providers listed with the programs were interviewed by telephone to assess their degree of satisfaction.

General Characteristics

- Resource/referral programs engage in a wide variety of activities beyond the referral services. Perceptions of local needs and individual views of their role in the child care community determine in large part the scope and intensity of activities undertaken within the AB 3059 mandate. Several activities were undertaken by a high proportion of programs:

  -- 75 percent report making referrals to parents for other social services.

  -- 85 percent publish a newsletter for providers and 30 percent distribute newsletters to parents.

  -- 95 percent provide in-service training to family day care providers and provide several support services (such as bookkeeping materials and help with taxes).

- Overall, resource/referral programs devote more time and offer more supplementary services to providers than to parents. They make more services available to and are more active with family day care providers than with center-based providers.

Program Findings

- Only 25 percent of total staff resources are allocated to listing and referral activities among the sample programs. The amount of time spent is a function of the volume of monthly requests for referrals and size of referral lists.

- Screening methods used by resource/referral programs in listing facilities vary somewhat. About three-quarters of all programs call centers and homes before they are listed. However, only 42 percent always make visits to homes, and few fewer (25 percent) visit centers prior to listing.

- Larger programs receive requests for referrals at an average rate of 1,650 per million population; the smaller programs receive calls at an average rate of 560 per million. This difference may be related to characteristics of local service areas or to the effectiveness of outreach activities.

- Follow-up activities on referrals vary. Forty percent of all resource/referral programs could not estimate the percentage of referrals that resulted in successful placement. Of those that do follow-up, the average rate of success reported was 74 percent. (Half the sampled programs followed up on referrals and reported an average success rate of 64 percent with a range from 49 to 70 percent.)

- Staff members at a sample of 21 centers listed with the resource/referral programs were interviewed by telephone. Twenty percent were subsidized, 20 percent were proprietary, and the remainder were private non-profit. All were predominantly preschool programs. Only 14 percent served infants and one-third served some school-age children.

- Thirty family day care providers listed with the resource/referral programs were interviewed by telephone. Half did not use other services of the program, while half called the program at least once to request assistance. All but one of those interviewed would recommend the program to other providers. Six of the 21 centers interviewed

never used other resource/referrals programs, while the remaining 72 percent had called for assistance one or more times.

- Difficult requests to fill are for infant care, care for school-aged children and other part-time care, low-cost care for those not eligible for subsidy, evening and weekend care, and care for children with special needs. Unsubsidized centers are more likely to have vacancies than subsidized centers, and family day care homes are more likely to have vacancies than centers.

- Interviews were conducted with 32 parents who obtained referrals from the sampled programs. Eighteen had found satisfactory care and the remainder had not. To an overwhelming extent, the parents' lack of success with referrals was due to the lack of infant care in the community. Of the 14 parents who had not found care, twelve were seeking infant care. (Three sought center-based infant care that was not available; six were referred to family day care providers with no vacancies or who would not take infants; two did not like the homes they visited, and one found the infant care too expensive.)

Cost Findings

- The average funding level in 1978 for resource/referral programs was about $50,000. However, the size of resource/referral programs varies considerably. Funding levels for the sampled programs ranged from slightly more than $9,000 to over $100,000.

- SDE is the only source of income for two-thirds of the resource/referral programs. For those with additional income, the non-SDE income averaged 18 percent of total income.

- Half the resource/referral programs make use of donated staff resources, principally CETA workers; this contribution represents an average of 18 percent of total staff resources. In addition, one-third of the resource/referral programs have the equivalent of one half-time person in volunteers.

- Resource/referral programs differ according to funding level. Programs with higher total resource costs (over $75,000) have higher requests for referrals, larger listings, and larger staff than those with lower funding levels (below $75,000).

- The lowest funding levels are associated with programs serving small community service areas, while county-wide programs tend to have higher funding levels and decentralized operations.

- Smaller resource/referral programs spend staff resources differently than do larger programs. Smaller programs spend considerably more resources on administrative functions (33 percent) than do larger programs (18 percent). They also spend less time on community communication, evaluation and outreach and needs assessment. However, smaller programs spend more time on services (other than referral) to parents and providers.

POLICY DISCUSSION: COMPARATIVE FINDINGS

A POLICY CONTEXT

Thus far this report has presented findings in two ways: first, in the context of the objectives of AB 3059 legislation and, second, according to the four program types studied and by comparing AB 3059 and non-AB 3059 centers and family day care systems.

Three major policy considerations can now be addressed on the basis of those findings.

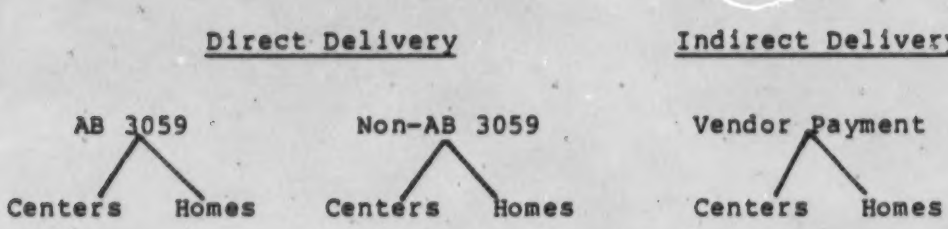
(1) What are the different costs and resource structures of all methods of delivering child care examined side by side?

(2) What factors should be considered in selecting one method over another? Key factors are

- cost
- quality
- number of children served

(3) For center-based care, what is the implication of differences in wage rates between AB 3059 and non-AB 3059 programs? How do changes in wage rates affect caregiver/child ratio, cost per child hour, and number of children served?

SDE currently uses six modes of child care delivery: care provided directly through center-based programs and family day care programs, both through AB 3059 and by means of non-AB 3059 mechanisms, and child care provided in centers and in family day care homes but funded indirectly through the vendor payment mechanism. These forms of delivery are represented schematically below:



Thus there are six distinct delivery systems which the administrator and policymaker may consider in allocating funds and in planning future allocation of resources.

When confronted with different costs for different types of child care, policymakers must decide how to spend resources most effectively. These considerations are complex. The first factor that must be understood before the cost and policy decisions are made is the cost and resource structure of each delivery system.

This study measured several dimensions of costs that are all-important in comparing alternatives: cash costs to the state, total cash costs, and total resource costs. Cash costs to SDE or total cash costs cannot be viewed independently from sources of non-SDE income and donations levered in the community. Such resources are scarce and may not be either stable or predictable. When considering cash costs and total resource costs, the policymaker should not <u>necessarily</u> favor the expansion of a lower-cost program that levers high levels of donations, if maintenance of such levels of donations cannot be assured.

Administrative costs are another cost consideration. If, at the same total cost, more resources are delivered directly for child care and fewer for administration, then more child care is actually provided. Thus, the ratio of administrative costs to direct care costs must be considered, along with cash and total resource costs, in addressing the effectiveness of any delivery mode.

Once cost and resource structures are examined, the question that must be addressed is what levels of service and quality can be delivered at what costs? If the same services and quality can be purchased at lower cost, then a policy decision to purchase the less costly care is straightforward: more children can be served for the same total expenditure. If a particular level of service or quality is desired and is more costly, however, a more difficult policy issue arises: given a fixed level of public funding, whether adequate care should be provided to more children or better care to fewer children.

Conversely, a particular delivery system may provide care at lower costs than another, but such lower costs may be achieved at the expense of unfavorable caregiver/child ratios, minimal services, and/or caregiver wage rates at or near the minimum wage. In this instance the decision must be made to increase ratios, increase services, or increase wages, but at the risk of considerably higher costs and therefore fewer children served. For example, increased wages or more supplementary services can only be achieved either at the expense of a lower caregiver/child ratio or by serving fewer children.

COMPARATIVE COST AND RESOURCE STRUCTURES

This section presents the comparative cash and resource structures for five methods of child care delivery, (center-based and family day care provided through vendor payment programs are treated as a single mode in this discussion). Administrative costs within those systems and the quality of services being delivered will be discussed.

Table 3 displays the basic cost and resource structure for each of the five delivery systems. Each of these systems differs in terms of average cost per child hour, actual cash cost to SDE, donated or levered resources, and total resource costs. Cash costs (Col. C) represent the total cash expenditures per child hour required to provide care. They reflect income received from SDE, or SDE cash costs (Col. A), and the generally smaller amount of cash income levered from other sources (Col. B).

Total cash costs, in turn, are augmented by donated goods and services (including staff paid by third parties, such as CETA workers). When the value of donations (Col. D) is added to cash costs, the total resource cost per child hour of operating each system is displayed (Col. E). It must be underscored that donated resources are by and large non-related volunteer staff necessary to maintain caregiver/child ratios and free space; they are thus critical. If such donations should become unavailable, additional cash expenditures would be required to continue to operate programs at current levels.

SDE and Non-SDE Cash Costs

In terms of SDE cash costs (Col. A), AB 3059 centers are the least costly delivery mode (at $0.85), followed closely by vendor payment programs. Since non-AB 3059 centers receive substantial local income, they are less costly to SDE than either type of family day care system. However, the differences are not large: non-AB 3059 centers cost SDE $1.01 per child hour compared with $1.04 to $1.06 for family day care.

Table 3

COMPARISON OF CASH COSTS AND TOTAL RESOURCE COSTS (per child hour)

	A	B	C	D		E
	SDE Cash Costs	Non-SDE Cash Costs	Cash Costs	+ Donations	=	Total Resource Costs
CENTERS						
AB 3059	$0.85	$0.29	$1.14	$0.36		$1.50
Non-AB 3059	$1.01	$0.68	$1.69	$0.17		$1.87
FAMILY DAY CARE						
AB 3059	$1.02	$0.08	$1.10	$0.10		$1.20
Non-AB 3059	$1.06	$0.20	$1.26	$0.41		$1.67
VENDOR PAYMENT						
AB 3059	$0.90	$0.00	$0.90	$0.02		$0.92

All delivery methods receive some income from non-SDE sources, which accounts for differences in the actual cost to SDE for each mode of care. Both groups of center-based programs receive substantial non-SDE income (Col. B) and in the case of school district centers, this income is principally in the form of county tax override monies. AB 3059 centers receive some income from food subsidies and from the collection of fees from parents. For family day care systems, outside income is not considerable and is largely in the form of parent fees and food subsidies, with some additional local income for non-AB 3059 systems. Vendor payment programs are entirely dependent upon SDE for their income.

Non-SDE or local funding is extremely variable within each method of care delivery and is generally a highly volatile source of income. Financial data presented here are based on fiscal year 1977/78 and thus do not reflect the impact of Proposition 13 on the availability of local funds. If programs are maintained at current levels of operation, costs to SDE may rise as such local funds are withdrawn.

In addition, non-SDE income is not evenly distributed across programs. Some centers and family day care systems in all groups receive no local support, and such resources tend to be concentrated in school-district sponsored programs and several exceptional programs. Thus in terms of cost comparisons across delivery modes, total <u>cash costs</u> and <u>total resource costs</u> are better indicators of true differences in cost structures.

Cash Costs, Donations, and Total Resource Costs

In terms of total cash costs (Col. C), non-AB 3059 centers are delivering the most expensive form of care at 1.6 per child hour, compared with $1.14 per hour in AB 3059 centers. Family day care systems are substantially less expensive than non-AB 3059 centers, but they tend to cost about the same as or more than AB 3059 centers. At $0.90 per child hour, vendor payment programs represent the least expensive form of care on a total cash cost basis.

Cash expenditures and total cash income received is one component in the total resource structure of child care programs. Above and beyond these cash resources, programs also lever, to some extent, non-cash resources or donated goods and services available in the community (Col. D).

AB 3059 centers consistently lever the largest donated resources as a group. They average $0.36 per child hour in donated resources compared with $0.17 in non-AB 3059 centers. Non-AB 3059 family day care systems have the highest average donations at $0.59 per child hour, but these resources are concentrated in three programs. AB 3059 family day care receives no significant amount of donated resources, while vendor payment programs generate virtually no additional resources beyond their SDE dollars.

Expressed differently, for every SDE dollar invested in AB 3059 centers, another $0.42 is generated in donations compared with $0.17 for non-AB 3059 centers. Non-AB 3059 family day care systems generate substantial donations, but AB 3059 family day care does not. For every dollar invested in vendor payment programs, only $0.02 is

generated either in other income or in donations. Thus, in terms of levered resources, AB 3059 centers represent the best method for maximizing the use of SDE funds. Vendor payment programs offer no leverage benefits at all.

Non-cash resources represent significant and critical resources levered in lieu of cash resources which would otherwise be required to operate the program. Thus, in one respect, leverage of resources represents a cost saving to the SDE: AB 3059 centers are less expensive to some extent because donated resources are being used to supplant SDE dollars.

Like income from non-SDE sources, however, donated resources are not necessarily predictable and stable, nor can they be viewed as uniformly and universally available at current levels in the future. Rather programs tend to compete locally for such limited free or third-party-paid commodities.

Thus in assessing child care costs and resource structure with a view toward maximum efficiency and maximum return on SDE dollars, the most appropriate stable cost measures are cost per child hour and total resource costs (Col. E). In these respects, vendor payment programs are the least costly to the state, but they provide no leverage of other resources. AB 3059 centers are also among the least costly alternative but also lever substantial additional resources.

Direct Child Care Costs versus Administrative Costs

While it is important to understand the comparative costs and resources used to deliver SDE child care, it is equally important to compare what proportion of those

resources are delivered directly for child care and what proportion supports general administrative costs--that is, non-caregiving staff salaries, space, and materials required to manage the program. This is one measure of the relative efficiency of each delivery mode in actually providing core services (Table 4).

Supplemental services have been separated out as a third category for centers and family day care systems. No functional analysis was done for vendor payment programs. While supplemental services were measured, they are generally not provided directly. Where they are found, they tend to be provided through companion resource/referral programs and thus represent no more than 5 percent of costs for vendor payment programs.

Family day care systems tend to deliver more child care at slightly lower administrative cost (12 to 15 percent) than center-based care (19 to 22 percent), but the difference is not substantial. However, one-third of all vendor payment dollars are spent for administrative activities, significantly more than for the other types of care. Twenty percent of this cost is generated by the vendor payment program's own administration, while an additional 12 percent is attributable to administrative costs within the contracted day care centers. Ultimately, only $0.60 of the $0.90 per child hour cost of vendor payment programs is actually delivered to direct care of children.

Table 4

COMPARISON OF ALLOCATIONS TO DIRECT CHILD CARE COSTS AND ADMINISTRATIVE COSTS (per child hour)

	CORE SERVICES				SUPPLEMENTAL SERVICES	
	Direct Child Care		Administration			
CENTERS						
AB 3059	71%	($0.81)	22%	($0.25)	7%	($0.08)
Non-AB 3059	74%	($1.25)	19%	($0.32)	7%	($0.12)
FAMILY DAY CARE						
AB 3059	68%	($0.82)	16%	($0.19)	16%	($0.19)
Non-AB 3059	63%	($1.04)	12%	($0.20)	25%	($0.42)
VENDOR PAYMENT[a]						
AB 3059	68%	($0.61)	32%	($0.29)	--------	

a. Of the average $0.90 per child hour cost for vendor payment programs 80 percent is for payments to providers and 20 percent is for administration of the program. However, center facilities with which vendor programs contract have administrative expenses, in turn, and these are included in the 32 percent administrative costs shown here.

QUALITY AND COST CONSIDERATIONS

Factors such as cash cost per child hour, levered resources, and ratio of administrative to direct care costs must be considered in funding decisions. However, costs must also be viewed in terms of the quality of care delivered, the services provided at different cost levels, and the probability that any mode will predictably continue to deliver care at the present resource level.

AB 3059 and Non-AB 3059 Center-Based Care

The results of the comparative evaluation clearly indicate that by investing in AB 3059 center-based programs, SDE receives substantially the same level of service and quality of care provided in non-AB 3059 centers. AB 3059 centers operate at caregiver/child ratios slightly lower than in non-AB 3059 centers, but not significantly lower. AB 3059 and non-AB 3059 centers have comparable group sizes for preschoolers and there were no overall significant differences between the two center groups on measures of teacher behavior and classroom activities. However, AB 3059 centers scored lower on measures of the quality of the center environment.

While there are differences between these two groups, the overall differences in quality as measured in this study are not substantial enough to be the focal issue in any discussion of funding. With respect to quality of care for children in AB 3059 and non-AB 3059 centers, the debate over funding can be clearly focused on the cost issues.

Issues of wage equity and stability do emerge from the findings, however. The debate over funding must not overlook the low wages paid to caregivers in AB 3059 centers and the implications of changes in wages for costs of care and caregiver/child ratios. (This issue is discussed later in this report.) In addition, some consideration should be given to the issue of the somewhat less rich environment in AB 3059 centers compared with non-AB 3059 centers.

Quality Issues in Family Day Care and Vendor Payment Programs

It was not within the scope of the study to investigate the quality of family day care systems or the quality of care provided in the private market through vendor payment programs. However, it was determined that the level of supplemental services provided in family day care is similar to that provided in center-based care. Vendor payment programs do not directly provide supplemental services to children, families, and providers in that system.

Thus the issue of quality remains one of considerable importance for family day care systems and, even more so, for vendor payment programs. The latter are attractive from the perspective of cash cost per child hour. However, the rates paid to providers ($0.75 per child hour) are low and fall below the average costs for private centers in California ($0.79).* This low payment rate raises two issues. First, if vendor payment programs were expanded rapidly there might be a limited supply of lower-cost care, or prices might rise to meet the increased demand, or both. Second, it is likely that the low costs among center vendors is being achieved at the expense of low salaries, a low caregiver/child ratio, a

*Based on the National Day Care Supply Study. This $0.04 difference should be multiplied out to show its substantial impact.

low level of services to children, or some combination of these factors. On the basis of previous studies, it is known that centers operating at these costs pay minimum wages or lower at a caregiver/child ratio bordering on the undesireable for low-income children. It is estimated that no more than average minimum wages could be paid at a ratio of 1:12 under the vendor programs.

To the extent that providers in the vendor payment program are selected by informed parents (and this is the case in many instances), parental choice could be viewed as the quality control mechanism in this delivery system. However, no additional quality control is provided by the vendor payment program; licensure is the only criterion for participation, and vendor programs purposely do not assume any additional monitoring function.

Another factor that indirectly affects the quality of care is the rate-setting practices of vendor payment programs. As administrative agencies, vendor payment programs follow rather diverse practices and procedures--a fact that reflects the SDE policy of permitting flexibility and experimentation during the first three years of operation. Such practices and policies include the mixture of child care facilities used, rate setting, collection of fees from parents, and support services. (Some of the difference in vendor rates must be attributed to different local market conditions.) In particular, considerable differences appear among programs in rates paid to providers and whether or not parents are allowed to pay the difference between program payment rates and the cost of the facility they select. These factors directly influence parental choice. As a result, they raise important issues of equity for parents and access to equal child care facilities.

An example will illustrate the range of rates and practices. Program A sets a flat rate of $0.63 per child hour for all facilities. Parents are not permitted to pay a supplement. Program B pays a maximum of $1.00 per hour. If a parent enrolls in Program B and selects a facility which costs $1.10 per hour, the parent is permitted to pay the additional $0.10. Program C pays up to $1.28 per child hour. Therefore, a parent enrolled in Program C could receive care at the same facility at no personal cost, since the rate for the facility is lower than Program C's maximum payment.

As indicated earlier, the quality of child care provided in family day care homes and family day care systems has not been systematically addressed to date. No study equivalent to the NDCS has yet been completed for family day care; such a study would investigate the nature of interactions between caregivers and children in the home and the impact of such care on the growth and development of children. At the same time, the AB 3059 study results suggest some ways in which cost structures influence the services provided in systems and the environment in which care is provided.

It is clear from study results that an important relationship exists between size and cost of family day care systems. Larger systems cost less; thus it appears that some savings can be achieved by funding systems that are not on the small end of the scale. At the same time, caution must be exercised in interpreting these economies of scale. Larger systems alone do not necessarily result in lower costs. Rather, other factors contribute to such economies. Larger systems achieve some increase in efficiency by placing more children per home, and they have more homes per system staff member. If taken to extremes, such economies may result in an undesireably high number of children per caregiver and insufficient staff to manage the homes adequately.

The results also suggest that higher provider rates may be paid while maintaining low costs. However, such higher rates may be offset by lower food costs, lower levels of service to both providers and children, and fewer staff to manage the system and deliver services. Conversely, systems with higher costs tend to pay providers slightly less but often supplement wages with support services, training, and more frequent home visits.

Since differences in provider rates are not large, it is not the case that provider rates are simply being traded off for services. High levels of service to providers and children increase costs, even at somewhat lower provider rates. Thus two questions emerge: what levels of service are desireable in family day care at what price, and are lower costs achieved at the expense of quality for both providers and children?

Issues of Center Wage Rates and Ratios

Cost differences between the AB 3059 and non-AB 3059 centers are considerable. The major factors contributing to these differences are the lower wage rates paid to caregivers in AB 3059 centers and the somewhat lower caregiver/child ratios in that group compared with non-AB 3059 centers. (The same factors are associated with cost differences in the NDCS, but in that case differences in ratio have the most important effect.)

Effects on Costs

AB 3059 centers have achieved lower costs, to some extent, through lower caregiver/child ratios and the leverage of significant donated resources. However, these

centers are also less expensive because they pay lower wages than non-AB 3059 centers to staff members with approximately the same qualifications. Thus AB 3059 centers have achieved cost reductions through a method not explicitly anticipated in the legislation. They have drawn upon the availability of people (mainly women) who enjoy working with young children and are willing to work for low wages.

While the AB 3059 wage scale is low, it typifies the extremely low wage rate paid to caregivers in many day care centers both in California and nationwide. Nationally, two out of three caregivers' annual earnings fall below the poverty line for a family of four. While caregiver rates in California are above the 1977 poverty line of $6,000, all caregivers' wage rates fall below the Department of Labor's 1977 low-income budget ($10,000 for a family of four). Nationally, seven of ten caregivers are second wage earners, but three of ten are principal wage earners and heads of households.

AB 3059 caregivers earn an average of $3.83 per hour compared with about $1.00 per hour more in non-AB 3059 centers, or $4.90 (Table 5). On the basis of the NDCS Supply Study, the range in caregiver wages in California is $3.14 to $4.88 (this range represents the lowest and highest average rates paid to caregivers across the state). Thus AB 3059 wage rates fall in the middle of the state range, while the average non-AB 3059 caregiver earns slightly more than the average for the highest paid caregivers in the state.

In terms of national wage rates for teachers and aides, AB 3059 teachers and aides both earn close to the national average wage rates. Non-AB 3059 teachers earn about $2.00 per hour more than their national counterparts, and aides earn $1.00 above the national average.

Table 5

COMPARISON OF COSTS, RATIOS, AND WAGE LEVELS FROM THE STUDY WITH NATIONAL AND STATE-WIDE AVERAGES[a]

			From NDCS	
	AB 3059[c]	Non-AB 3059	State of California	All Centers in U.S.
Resource Cost per Child Hour	$1.40	$1.88	$1.02[b]	$0.97
Expenditures per Child Hour	$1.14	$1.69	$0.97	$0.91
Caregiver/Child Ratio	1:6.8	1:5.4	1:7.0	1:6.8
Mean Hourly Wage for Caregivers	$3.83	$4.90	$3.14 to 4.88	$2.63 to 3.84
Mean Hourly Wage for Teachers	$4.06	$6.50	N.A.	$3.73
Mean Hourly Wage for Aides	$3.03	$3.84	N.A.	2.87

a. The NDCS data were collected in March 1977, while the cost data from AB 3059 and non-AB 3059 centers were collected in May 1978. For comparability, the NDCS wage rates and cost figures have been inflated by 11 percent to reflect differences in price levels between 1977 and 1978.

b. Assumes that donated resources in California were in the same proportion as the national average (6.1 percent).

c. The sample for AB 3059 centers excludes six infant-only centers, to achieve comparability in age groups served between AB 3059 and non-AB 3059 centers. See Supporting Papers, Appendix B for further discussion of this decision.

This profile for wages for AB 3059 and non-AB 3059 centers and for California as a whole confronts the policymaker with a dilemma. On the one hand, higher wages may be fixed by union contract (for example, in many school-based programs) or local conditions which the state is not empowered to alter. On the other hand, a different mix of staff with alternate credentials might be achieved over time to reduce costs in non-AB 3059 centers. Another dilemma is that lower wages paid in AB 3059 centers can only be raised by decreasing caregiver/child ratios or by serving fewer children.

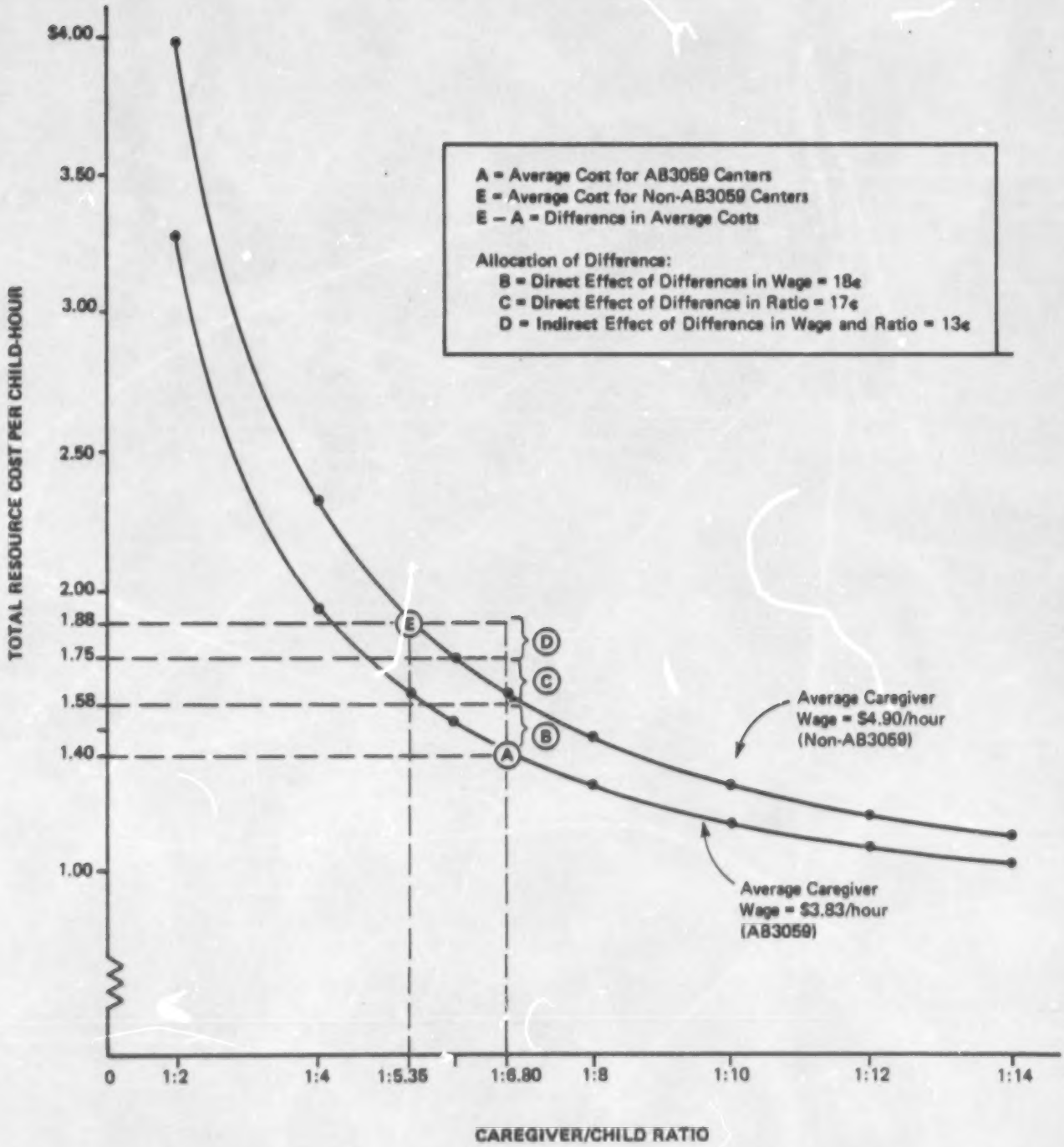
Impact on Number of Children Served

Overall, it is important to understand the relationship between wage rates and ratio and their combined influence on costs and the number of children served. Figure 1 shows the impact of variation in the caregiver/child ratio on total resource cost per child hour at the average caregiver wages for AB 3059 centers ($3.83) and for non-AB 3059 centers ($4.90).

For AB 3059 centers (lower curve), the resource cost is $1.40 per child hour on the average, at a caregiver/child ratio of 1:6.8 and a wage of $3.83 (Point A). For non-AB 3059 centers (upper curve), the resource cost per child hour is $1.88, at a ratio of 1:5.35 and a wage of $4.90 (Point E). The difference in costs attributable to wages is Area B; the difference attributable to ratio is Area C, and the indirect effects are represented by Area D.

The curves suggest that changes in the average caregiver/child ratio have an important impact on cost per child hour (or, alternatively, on the number of children that could be served given fixed resources) in either type

FIGURE 1 : Impact of Caregiver/Child Ratio on Total Resource Cost Per Child-Hour



of center; this impact would be particularly great in non-AB 3059 centers. For example, the upper curve suggests that if the average caregiver/child ratio in non-AB 3059 centers were reduced from its present level to 1:9, the resource cost per child hour would be reduced from $1.88 to $1.38. A reduction of the caregiver/child ratio in AB 3059 centers to 1:9 would reduce costs from $1.40 to $1.22.*

Fortunately, there are trade-offs that allow the total resource cost per child hour to be maintained at a constant level while shifts in caregiver wages and caregiver/child ratio are balanced. For example, as Figure 2 indicates, AB 3059 centers could maintain their average cost of $1.40 per child hour by raising caregiver wages from $3.83 to an average $4.50, while lowering their ratio from 1:6.8 to 1:8. As noted earlier, wage rates are not independent of ratio in their impact on costs. A $0.50 change in salaries at a caregiver/child ratio of 1:10 will increase costs per child hour by $.05 However, the same change in salary at a ratio of 1:5 will result in an increase of $0.10 per child hour.

Table 6 illustrates the effect on costs and number of children served of a reduction in both ratio and wages in the non-AB 3059 centers and a reduction in ratio in the AB 3059 centers. The example selected reflects a shift in ratio to the least stringent of those proposed in the NDCS (1:9) and a reduction in wage rates of $0.50. According to this scenario, non-AB 3059 center costs could be reduced by $0.55 to $0.60 per child hour and between 8,000 and 12,000 additional children could be served,

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*The final report of the National Day Care Study, Children at the Center, Executive Summary suggests that ratios as low as 1:9 (schedule-based) are still associated with an acceptable quality of care.

FIGURE 2 : Trade-Off Between Caregiver/Child Ratio and Average Caregiver Wage at Constant Cost Levels

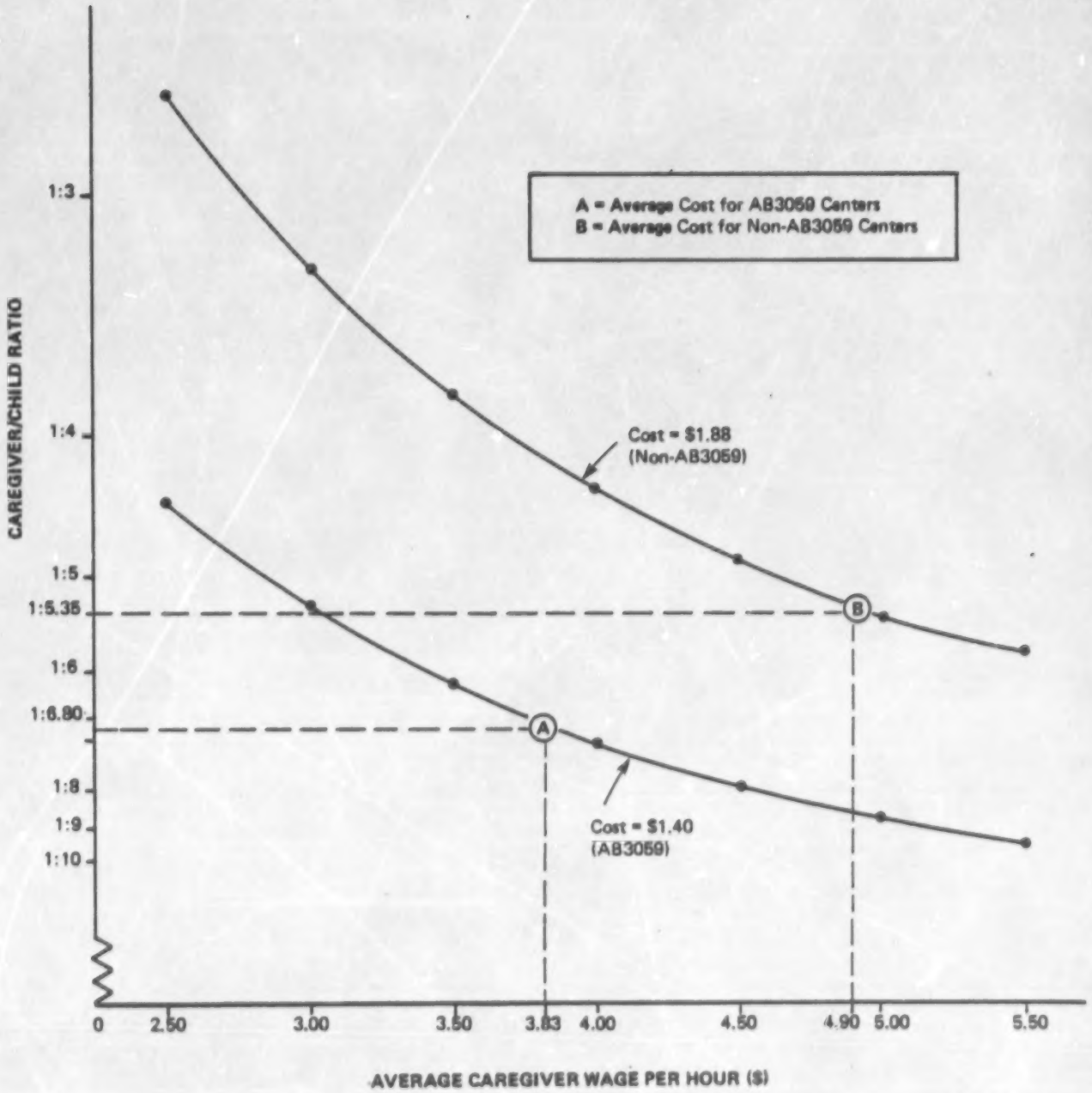

Table 6

IMPACT OF CHANGES IN CAREGIVER/CHILD RATIO AND CAREGIVER WAGES ON COST PER CHILD HOUR AND NUMBER OF CHILDREN SERVED (per $100 million)

	Schedule-Based Ratio	Caregiver Wage Rate	Cost per Child Hour	Number of Children Served
Non-AB 3059 Centers[a]	1:5.35	$4.90	$1.88	26,469
	1:9	$4.40	$1.46 to $1.31	34,223 to 38,344
	1:7	$4.40	$1.60 to $1.49	31,211 to 33,422
	1:7	$4.90	$1.67 to $1.59	29,886 to 31,368
AB 3059 Centers[a]	1:6.85	$3.83	$1.40	35,562
	1:9	$3.83	$1.26 to $1.21	39,432 to 41,085

a. Current status.

assuming a constant funding level. Within AB 3059 centers, an additional 4,000 to 5,000 children could be served per $100 million dollars at a ratio of 1:9.

Assuming that SDE elected to maintain an average ratio of 1:7, AB 3059 centers would continue at their present level (1:6.8) and thus serve an estimated 35,500 children per $100 million. At a ratio of 1:7 and with the same average decrease in wages of $0.50 per hour, an additional 5,000 to 7,000 children could be served at a cost of $1.60 per child hour in non-AB 3059 centers. Assuming no decrease in wages, the costs would be $1.67 per child hour and 3,000 to 5,000 more children could be served.

CONCLUSION

AB 3059 programs are largely meeting the objectives stated in the legislation. They have delivered child care at lower costs than other SDE subsidized programs and, in the case of centers, at no substantial decrease in quality. New options have become available for parents as a consequence of AB 3059 programs and the founding legislation. More family day care now is available both through family day care systems and through vendor payment programs. Resource/referral programs provide opportunities for parents to locate care that they need and want; they also help parents become better informed consumers of child care.

Several important issues and considerations have been raised about the programs studied. First, the State of California is delivering good quality child care through its subsidized centers. Non-AB 3059 centers in particular have impressive physical plants and access to considerable local resources through sponsor agencies. Little is known about the quality of family day care and the quality of care purchased through vendor payment programs. In the latter case, some concern may be warranted both about the facilities that provide care at low costs (and necessarily at some reduction in caregiver/child ratios, wages, or services) and about the variability in rate-setting practices.

Overall, the costs of care provided in AB 3059 programs are lower than in non-AB 3059 programs, but partly at the expense of lower wages for caregivers. At the other end of the spectrum, urban non-AB 3059 centers have considerably higher costs, in that they pay higher wages and operate at high caregiver/child ratios. This report suggests several ways this dilemma may be addressed by considering alternative

combinations of wage rates and caregiver/child ratio. With cost per child hour maintained at the present level, caregiver/child ratio can be lowered somewhat to achieve an increase in caregiver wages. Alternately, lower costs can be achieved by lowering caregiver/child ratios within the recommended NDCS range and thereby serving more children.